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Global Analysis Report

Market Overview

South Korea

August 2016

MARKET SNAPSHOT

- South Korea had a gross domestic product (GDP) of US$1.4 trillion in 2015, which is expected to grow by 2.5% in 2016.
- In 2015, South Korea was the 27th most populous country in the world with 50.6 million people. The population is expected to reach 51.4 million by 2020.
- Annual consumer expenditure was US$12,598 per capita in 2015, with food and non-alcoholic beverages representing US$1,641.7 or 13% of that total.
- The consumer foodservice industry is expanding alongside a rising middle-class population, and is forecasted to reach total value sales of US$83.7 billion by 2020.
- With growing disposable incomes, South Korean consumers are seeking products that offer convenience. Packaged food sales continue to grow steadily, and are expected to reach a value of US$24.5 billion by 2020.
- The top packaged food company in the market is currently Lotte Group with a 9.2% value share, followed by Nong Shim Co Ltd (6.4%) and CJ Cheiljedang Corp (5.3%) in 2015.
- The agriculture sector employs 6.0% of the workforce and is estimated at 2.3% of GDP.

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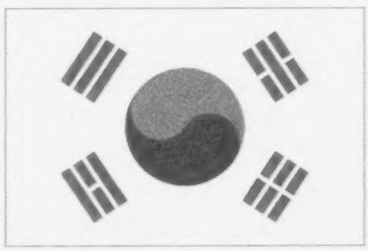

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PRODUCTION

- Rice is South Korea's primary domestic crop, but production decreased by a compound annual growth rate (CAGR) of 2.7% over the 2010 to 2014 period. The top growing crops by volume over the same years were tomatoes and pears, with a CAGR of 10.3% and 7.5%, respectively.

- Traditionally, the South Korean diet has been based on rice, fish, fruits and vegetables. However, in recent years there has been a shift to include more wheat and protein in their diet.

- The production of poultry and beef increased by CAGRs of 3.0% and 6.8%, respectively, while the production of pork declined by a CAGR of 4.6% over the same time period. There were minimal increases in livestock from 2010-14, with the exception of goats, which had the highest CAGR with 2.1%.

Crop Production and Livestock in South Korea

Top ten crops ('000 tonnes)	2010	2011	2012	2013	2014
Rice	6,136.3	6,034.3	5,934.0	5,631.7	5,491.5
Cabbages and Other Brassicas	2,035.7	3,049.3	2,118.9	1,916.4	1,883.3
Onions	1,411.6	1,520.0	1,195.7	1,146.7	1,073.1
Potatoes	616.7	622.2	607.5	727.4	758.2
Tangerines, Mandarins, Clementines	614.8	680.5	692.2	675.3	692.2
Watermelons	678.8	609.0	642.9	586.3	560.6
Tomatoes	324.8	368.2	432.7	446.3	480.1
Pears	307.8	290.5	394.6	388.0	410.3
Garlic	271.6	295.0	339.1	334.1	351.4
Apples	460.3	379.5	394.6	366.8	340.9

Source: *Euromonitor, FAOSTAT Agricultural Production, February 2015*

Meat indigenous (tonnes)	2010	2011	2012	2013	2014
Pork	1,110.0	837.0	982.0	959.8	918.0
Poultry	653.0	686.0	695.0	717.8	735.8
Beef and Veal	247.0	280.0	300.0	304.7	320.8

Source: *Euromonitor, FAOSTAT Agricultural Production, February 2015*

Livestock ('000 head)	2010	2011	2012	2013	2014
Chickens	149,200.00	149,511.00	146,836.00	151,337.00	151,930.60
Pigs	9,880.60	8,171.00	9,915.90	9,912.20	9,921.00
Cattle	3,351.40	3,353.40	3,478.70	3,342.10	3,339.60
Goats	243.50	247.90	257.30	260.00	264.60

Source: *Euromonitor, FAOSTAT Agricultural Production, February 2015*

TRADE

- South Korea is a net importer of agri-food and seafood products. In 2015, South Korea's agri-food and seafood trade deficit was C$27.1 billion with imports valued at C$36.2 billion, and C$9.1 billion in exports. South Korea's agri-food and seafood imports grew at a CAGR of 12.2% between 2013 and 2015.

- South Korea's top agri-food and seafood imports in 2015 were corn, frozen pork, non-durum wheat, food preparations, and frozen boneless beef. Key supplying countries were the United States, China, Australia, Brazil, and Vietnam. Canada was South Korea's 12th-largest supplier of total agri-food and seafood products in 2015, with a 2.0% share.

South Korea's Top Agri-Food and Seafood Imports from the World, 2015

Commodity	Import Value C$ millions	Top Suppliers & Market Share			Canada's Share
		1	2	3	
Corn	2,826.6	United States 34.2%	Brazil 29.0%	Ukraine 15.5%	0%
Frozen pork	1,570.9	United States 30.3%	Germany 18.8%	Spain 13.3%	5.4%
Non-durum wheat	1,411.7	United States 32.5%	Australia 28.2%	Ukraine 16.3%	6.1%
Food preparations	1,170.0	United States 59.1%	New Zealand 6.3%	Canada 4.2%	4.2%
Frozen boneless beef	1,111.9	Australia 63.2%	United States 31.9%	New Zealand 3.8%	0.3%
Soybean meal	1,076.6	Brazil 47.0%	Argentina 43.0%	China 5.0%	0%
Soybeans	829.2	Brazil 49.0%	United States 44.8%	China 4.4%	1.5%
Raw cane sugar	793.9	Australia 64.3%	Thailand 29.0%	Guatemala 5.9%	0%
Frozen fish	690.6	China 54.4%	Taiwan 10.2%	Senegal 8.1%	0.8%
Frozen bone-in beef	627.7	United States 65.6%	Australia 24.5%	New Zealand 8.9%	0.8%

Source: *Global Trade Tracker, April 2016*

- South Korea's processed food imports were valued at C$19.4 billion in 2015. Canada's share was 2.4%. The United States, China, Australia, Brazil, and Germany were the largest suppliers of processed food to South Korea in 2015, providing 56.4% of the market. South Korea's processed food imports decreased by a CAGR of 16.0% between 2013 and 2015.

- Canada's agri-food and seafood exports to South Korea were valued at C$617.5 million in 2015. Top exports were canola oil, non-durum wheat, beef hides, food preparations, and frozen pork. In 2015, Canada registered an agri-food and seafood trade surplus of C$512.0 million with South Korea.

CONSUMER FOODSERVICE

- The foodservice industry in South Korea showed some growth from 2011 to 2015 with a compound annual growth rate (CAGR) of 3.4%. The industry is expected to continue this trend over the next forecasted period with an expected CAGR of 3.9% (from 2016-20). The 100% home delivery/takeaway sector showed the most growth from 2011-15 with a CAGR of 5.8%. Over the forecast period, 100% home delivery/takeaway will remain the best performing category in terms of sales growth (5.8%), followed by fast food (5.1%) and chained consumer foodservice (4.8%).

- Eating out and takeaway meals are popular in South Korea because they are generally a less expensive alternative to dining in a restaurant; furthermore, people get fresh food without having to spend time on shopping and preparation.

Consumer Foodservice Sales in South Korea
Historic in US$ Millions, Fixed 2015 Exchange Rate

Category	2011	2012	2013	2014	2015	CAGR* % 2010-2015
Consumer Foodservice by Type	60,844.40	62,651.80	65,261.70	67,704.90	69,526.60	3.4
Independent Consumer Foodservice	40,501.90	41,428.20	42,576.80	43,822.40	44,843.10	2.6
Full-Service Restaurants	37,907.60	39,270.60	41,425.40	43,319.40	44,760.80	4.20
Chained Consumer Foodservice	20,342.50	21,223.70	22,684.90	23,882.40	24,683.50	5.0
Cafés/Bars	13,502.20	13,401.80	13,145.50	12,831.40	12,592.00	-1.7
Fast Food	7,446.30	7,875.00	8,437.50	9,196.20	9,747.20	7.0
100% Home Delivery/Takeaway	1,742.20	1,858.50	2,014.80	2,121.90	2,187.10	5.8
Pizza Consumer Foodservice	1,470.50	1,503.10	1,556.80	1,640.70	1,653.10	3.0
Street Stalls/Kiosks	183.90	183.20	184.80	181.40	177.20	-0.9

**CAGR:* *Compound Annual Growth Rate*

Consumer Foodservice Sales in South Korea
Forecast in US$ Millions, Fixed 2015 Exchange Rate

Category	2016	2017	2018	2019	2020	CAGR* % 2016-2020
Consumer Foodservice by Type	71,763.60	74,444.70	77,482.60	80,569.50	83,651.60	3.9
Independent Consumer Foodservice	46,068.60	47,569.70	49,273.70	50,955.70	52,610.10	3.4
Full-Service Restaurants	46,405.50	48,313.70	50,446.70	52,565.00	54,692.40	4.2
Chained Consumer Foodservice	25,695.00	26,875.00	28,208.90	29,613.80	31,041.50	4.8
Cafés/Bars	12,569.90	12,659.80	12,833.90	13,071.20	13,319.60	1.5
Fast Food	10,261.40	10,820.70	11,410.60	11,988.80	12,535.80	5.1
100% Home Delivery/Takeaway	2,289.10	2,413.20	2,553.60	2,706.20	2,865.40	5.8
Pizza Consumer Foodservice**	1,698.20	1,751.00	1,807.30	1,861.90	1,912.80	3.0
Street Stalls/Kiosks	174.20	172.30	171.00	169.90	168.50	-0.8

Source for both: *Euromonitor International 2016* **CAGR:* *Compound Annual Growth Rate*

***Pizza consumer foodservice data is compiled from three different subsectors (fast food, full-service restaurants, and 100% home delivery/takeaway) for the purposes of comparison, but remains reflected within the figures for these subsectors, and thus the consumer foodservice total. As such, pizza consumer foodservice is not counted as its own sector within the consumer foodservice total.*

RETAIL SALES

- South Korea is the twentieth-largest packaged food market in the world, representing US$22.9 billion in 2015. Packaged food sales increased by a CAGR of 1% from 2011 to 2015. This growth is expected to increase slightly from 2016 to 2020, with an anticipated CAGR of 1.4%. From 2011 to 2015, the best performing segment with packaged food was meal replacement, registering a CAGR of 9.2%, followed by sweet and savoury snacks with a CAGR of 7.4%, and sauces, dressings and condiments with a CAGR of 9.9%.

- The aging population and increasing health consciousness of South Koreans is having a positive effect on the health and wellness sector, which saw retail sales valued at US$6.9 billion in 2015. This growing sector experienced a CAGR of 2.8% from 2011 to 2015, and is expected to continue growing by a CAGR of 3.2% from 2016 to 2020.

- The South Korean consumer market is highly developed, and western-style foods that are convenient and healthy are growing in popularity.

Agri-Food Retail Sales in South Korea
Historic in US$ Millions, Fixed 2014 Exchange Rate

Category	2011	2012	2013	2014	2015	CAGR* % 2010-15
Health and Wellness by Type	6,172.70	6,584.70	6,675.70	6,780.60	6,895.00	2.80
Better For You (BFY)	408.80	450.60	478.60	506.00	486.40	4.40
Food Intolerance	9.60	10.00	10.10	9.90	9.70	0.30
Fortified/Functional (FF)	3,664.70	3,907.10	3,881.10	3,853.80	3,803.60	0.90
Naturally Healthy (NH)	1,984.20	2,103.10	2,144.90	2,236.00	2,414.20	5.00
Organic	105.40	113.90	160.90	174.90	181.20	14.50
Packaged Food	**22,015.90**	**22,718.70**	**22,849.00**	**22,872.20**	**22,888.90**	**1.00**
Baby Food	487.60	504.00	453.00	442.90	437.00	-2.70
Bakery	1,621.50	1,700.10	1,717.30	1,739.30	1,765.80	2.20
Biscuits and Snack Bars	919.70	936.20	1,002.90	1,010.60	974.90	1.50
Breakfast Cereals	215.30	221.00	200.90	169.60	138.80	-10.40
Confectionery	1,126.70	1,138.70	1,148.80	1,179.80	1,186.10	1.30
Dairy	4,739.40	5,016.80	5,084.90	5,033.70	4,943.50	1.10
Ice Cream and Frozen Desserts	1,901.90	1,872.50	1,855.40	1,780.30	1,754.60	-2.00
Oils and Fats	450.30	461.60	442.10	457.70	464.40	0.80
Processed Fruit and Vegetables	71.70	72.50	73.70	74.80	76.60	1.70
Processed Meat and Seafood	2,277.40	2,445.10	2,521.10	2,576.20	2,649.30	3.90
Ready Meals	143.60	155.20	167.10	180.60	204.10	9.20
Rice, Pasta and Noodles	5,523.10	5,506.20	5,445.50	5,396.10	5,340.20	-0.80
Sauces, Dressings and Condiments	1,316.90	1,365.20	1,364.00	1,367.30	1,384.70	1.30
Soup	79.80	82.70	83.20	87.60	94.90	4.40
Spreads	155.00	157.20	156.00	157.80	164.30	1.50
Sweet and Savoury Snacks	986.10	1,083.60	1,133.30	1,218.20	1,309.70	7.40
Hot Drinks	1,556.50	1,664.30	1,747.10	1,830.20	1,897.20	5.10
Pet Care	667.60	720.10	777.40	835.00	891.70	7.50
Soft Drinks	4,165.70	4,482.40	4,658.90	4,830.10	5,052.70	4.90

Source: *Euromonitor International, 2016*

****CAGR:*** *Compound Annual Growth Rate*

Agri-Food Retail Sales in South Korea
Forecast in US$ Millions, Fixed 2014 Exchange Rate

Category	2016	2017	2018	2019	2020	CAGR* % 2016-20
Health and Wellness by Type	7,113.50	7,318.80	7,554.10	7,810.90	8,071.80	3.20
Better For You (BFY)	492.10	501.90	514.30	528.80	544.20	2.50
Food Intolerance	9.80	9.80	9.90	10.00	10.10	0.90
Fortified/Functional (FF)	3,849.10	3,915.80	4,007.60	4,121.00	4,245.00	2.50
Naturally Healthy (NH)	2,572.60	2,693.00	2,815.90	2,936.10	3,049.40	4.30
Organic	189.90	198.30	206.40	215.00	223.10	4.10
Packaged Food	**23,117.80**	**23,366.70**	**23,692.70**	**24,061.70**	**24,458.30**	**1.40**
Baby Food	431.00	422.70	418.00	416.30	416.30	-0.90
Bakery	1,788.40	1,812.20	1,845.30	1,884.90	1,928.50	1.90
Biscuits and Snack Bars	968.90	975.70	993.70	1,019.90	1,051.10	2.10
Breakfast Cereals	131.60	135.10	143.20	154.80	169.40	6.50
Confectionery	1,206.20	1,227.60	1,254.70	1,283.70	1,313.60	2.20
Dairy	4,960.20	4,984.70	5,039.90	5,115.10	5,201.20	1.20
Ice Cream and Frozen Desserts	1,751.50	1,735.80	1,732.30	1,731.70	1,732.00	-0.30
Oils and Fats	478.50	491.90	505.20	516.50	528.20	2.50
Processed Fruit and Vegetables	79.00	81.60	84.50	87.60	91.30	3.70
Processed Meat and Seafood	2,733.50	2,817.70	2,898.60	2,973.80	3,044.60	2.70
Ready Meals	231.30	257.20	279.30	298.10	315.30	8.00
Rice, Pasta and Noodles	5,279.70	5,233.60	5,200.50	5,178.50	5,163.70	-0.60
Sauces, Dressings and Condiments	1,409.20	1,435.10	1,460.50	1,486.60	1,513.70	1.80
Soup	102.20	109.40	116.30	123.20	129.70	6.10
Spreads	171.80	178.60	185.50	193.10	201.10	4.00
Sweet and Savoury Snacks	1,394.60	1,467.70	1,535.20	1,597.80	1,658.50	4.40
Hot Drinks	1,976.90	2,061.20	2,155.40	2,252.20	2,349.50	4.40
Pet Care	955.70	1,020.40	1,084.70	1,142.00	1,196.70	5.80
Soft Drinks	5,290.10	5,522.00	5,774.80	6,015.20	6,277.10	4.40

Source: *Euromonitor International, 2016*

***CAGR:** *Compound Annual Growth Rate*

RESOURCES

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Prepared by: Ranna Bernard, Market Analyst

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Agriculture and Agri-Food Canada, Global Analysis Division
1341 Baseline Road, Tower 5, 4th floor
Ottawa, ON
Canada K1A 0C5
E-mail: infoservice@agr.gc.ca

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